THIRTY-EIGHTH
ANNUAL REPORT

2011
(Fiscal Year ended June 30th)

LAW FOUNDATION
(www.lawfoundation.sk.ca)

Report from the Chair

I am pleased to provide the thirty-eighth annual report of the Law Foundation of Saskatchewan for the fiscal year ended June 30, 2011. This report is provided to the Minister of Justice of Saskatchewan and to the Law Society of Saskatchewan pursuant to section 79 of *The Legal Profession Act, 1990.*

Our Purpose

The Law Foundation of Saskatchewan was established in 1971. The legislative purpose of the Foundation is to establish and maintain a fund to be used for legal education, legal research, legal aid, law libraries and law reform.

To meet its purpose the Foundation's fund consists of interest earned on trust funds on deposit in lawyers' mixed trust accounts and the investment income earned on those funds. All such trust funds accrue interest at rates negotiated between the Law Foundation and the various financial institutions where lawyers maintain trust accounts. From its fund the Foundation makes grants to organizations and individuals for programs and projects that are consistent with the legislative purpose of the Foundation.

Financial Highlights

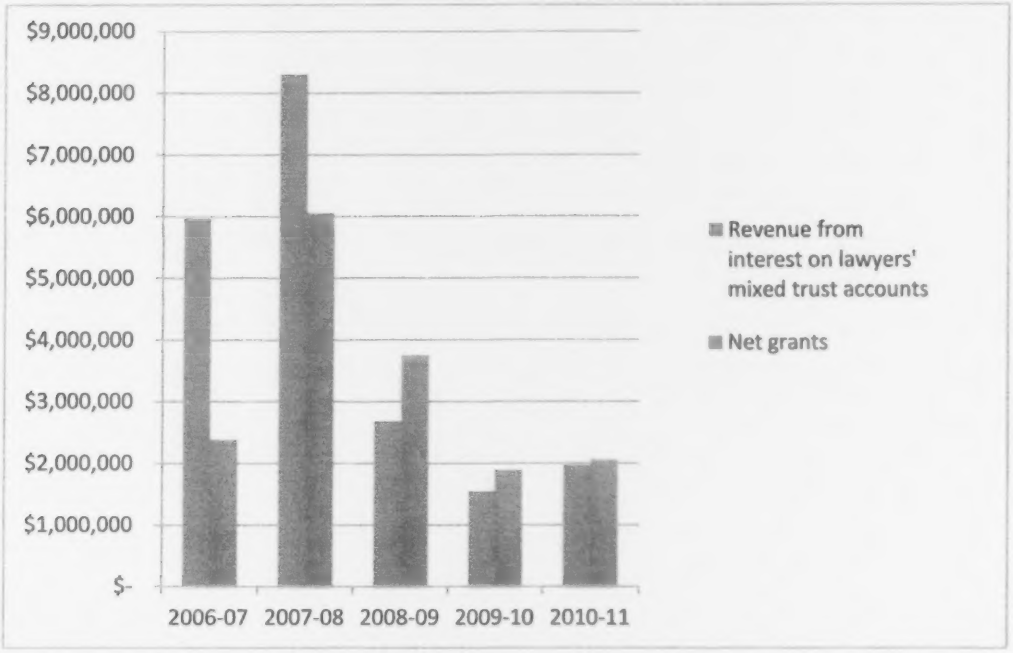
During the year ended June 30, 2011, the total amount of interest earned on lawyers' mixed trust accounts and paid to the Foundation was $1.97 million compared to $1.55 million in the 2010 year. Investment income was $.38 million compared to $.40 million in 2010. Income for the past three years has been substantially reduced from levels prior to the financial crisis of 2008 due primarily to significantly lower interest rates. During this same period economic activity in Saskatchewan has been relatively strong and the levels of activity in lawyers' mixed trust accounts has generally been maintained or increasing. As a result the Foundation's revenues from the mixed trust accounts increased in 2011.

Most financial institutions reduced their interest floor rates to an all time low due to the 2008 international financial crisis. We appreciate the support of the Bank of Montreal, Canadian Western Bank, Royal Bank of Canada, and Saskatchewan's

Credit Unions which pay more competitive rates of interest in this challenging low rate environment. While it is anticipated that market interest rates will eventually rise, the timing of such an increase is unclear and the Bank of Canada and similar agencies around the world seem to be signaling that we are likely to be in a low rate environment for a prolonged period.

In this new operating environment, the Foundation continues to be in a strong financial position. Current annual revenues are sufficient to cover the level of support requested by grantees and if new projects arise the Foundation has the financial strength to fund them with its reserves.

Revenues/Grants 2006-2011



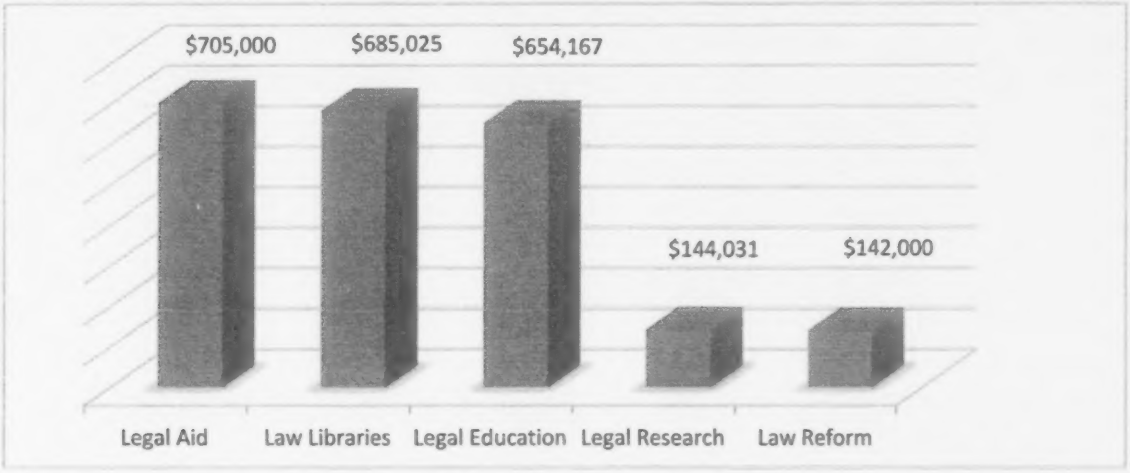
The Foundation maintains a Grant Stabilization Reserve to protect its core grantees - who rely on the Foundation for their primary funding - from the risk of declines in revenues in future years. During 2011 the Foundation undertook a review of its Grant Stabilization Reserve and in light of several new grantees added in recent years increased the level to $6.60 million from $3.50 million. The increase represented a transfer from the Strategic Initiatives Reserve (formerly the Allocated Revenue Reserve).

The Strategic Initiatives Reserve is intended to ensure the Foundation can fund significant access to Justice projects in future years - particularly in the new

operating environment where annual revenues are less than experienced in prior years and annual revenues would not be sufficient to provide the funding. Examples of recent one time major grants include the Saskatchewan Legal Aid Endowment for $1 million in fiscal 2009 and a grant of $2,500,000 to the University of Regina, Law Foundation of Saskatchewan Endowed Chair in Police Studies. On balance the Foundation expects to be able to fund new one-time initiatives and will rebuild its capacity through reserves as interest rates increase.

Grants

The breakdown of the Foundation's 2011 grant expenditures of $2.33 million in accordance with our legislative purposes is set out below.



The organizations we supported during 2011 are listed below. Details of amounts granted are included in the accompanying financial statements included in this Annual Report—see Schedule 1.

- **Public Legal Education Association**
- **Law Society of Saskatchewan Libraries**
- **Law Society Bar Course**
- **Pro Bono Law Saskatchewan**
- **Community Legal Assistance Services for Saskatoon Inner City Inc. (CLASSIC)**
- **Native Law Centre, University of Saskatchewan**
- **Law Reform Commission of Saskatchewan**
- **College of Law, University of Saskatchewan, Law Foundation of Saskatchewan Endowment Fund**

- **Elizabeth Fry Society of Saskatchewan**
- **Saskatoon Sexual Assault and Information Centre**
- **Saskatchewan Elocution and Debate Association**
- **Salvation Army Positive Lifestyles Program**
- **Environmental Law Centre**

Organizational Matters

The Law Foundation meets on a quarterly basis. As Treasurer, Mr. Bob Watt, F.C.A., attended the October 2011 annual meeting of the Canadian Association of Law Foundations held in Toronto, Ontario. At the annual meeting, the Canadian Law Foundations discussed projects of a national scope and other matters of mutual interest. Representatives of the Saskatchewan Law Foundation continually emphasize the national importance of the Native Law Centre at the University of Saskatchewan and request the ongoing and increased support of the other Foundations for this project.

I am very pleased to have served with the current members of the Law Foundation. They are listed on the back page of this Annual Report. *The Legal Profession Act, 1990* was amended in May 2010 to expand the membership of the Foundation to a total of nine members. Ms. Alma Wiebe, Q.C., retired effective July 29, 2011. Ms. Kathryn Ford, Q.C., and Ms. Irene Seiferling were appointed for two year terms effective September 1, 2011.

On behalf of the members of the Law Foundation of Saskatchewan I am pleased to submit this report. We appreciate the opportunity to serve the people of Saskatchewan by ensuring the Foundation meets its legislated purposes.

Patricia Quaroni
Chair

December 5, 2011

Members of the Law Foundation of Saskatchewan

Appointed by the Law Society of Saskatchewan

Patricia Quaroni – Chair*
John McIntosh, Q.C. – Vice-Chair
Catherine Knox
Robert Gibbings, Q.C.
Lana Krogan-Stevely

*The Chair is appointed by the Law Society of Saskatchewan

Appointed by the Minister of Justice

Gerald Tegart, Q.C., Deputy Attorney General—Minister's designate
Bob Watt, F.C.A. – Treasurer
Kathryn Ford, Q.C. (effective September 1, 2011)
Irene Seiferling (effective September 1, 2011)
Alma Wiebe, Q.C. (to July 29, 2011)

Secretary/Executive Director

Robert Arscott, F.C.A.

Contact

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Law Foundation of Saskatchewan

Front: L. Krogan, A. Wiebe, Q.C. (retired July/11), C. Knox, P. Quaroni, J. McIntosh, Q.C.
Back: G. Tegart, Q.C., R. Arscott, FCA, R. Gibbings, Q.C., B. Watt, FCA

Financial Statements of

LAW FOUNDATION OF SASKATCHEWAN

30th June 2011

Deloitte.

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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Law Foundation of Saskatchewan

We have audited the accompanying financial statements of The Law Foundation of Saskatchewan, which comprise the statement of financial position as at June 30, 2011, and the statements of revenue, expenditures, grants and unallocated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Law Foundation of Saskatchewan as at June 30, 2011, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

December 5, 2011
Regina, Saskatchewan

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION
30th JUNE 2011

	2011	2010
ASSETS		
Cash	$ 151,463	$ 58,986
Cash held by investment dealer	302,263	7,588
Accounts receivable	-0-	3,500
Interest receivable from lawyers' mixed trust accounts	321,268	278,307
Investments (Note "4")	11,590,374	11,924,026
	$12,365,368	$12,272,407
LIABILITIES, RESERVES, AND UNALLOCATED SURPLUS		
Accounts payable	$ 2,000	$ 2,000
Grants payable	1,933,710	1,961,625
	1,935,710	1,963,625
Grant stabilization reserve (Notes "2" & "5")	6,600,000	3,500,000
Strategic initiatives reserve (Notes "2" & "5")	3,695,000	6,795,000
Unallocated surplus	134,658	13,782
	10,429,658	10,308,782
	$12,365,368	$12,272,407

On behalf of the Foundation:

Chairperson

Robert Watt Treasurer

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF REVENUE, EXPENDITURES, GRANTS, AND UNALLOCATED SURPLUS
FOR THE YEAR ENDED 30th JUNE 2011

		2011		2010
REVENUE:				
Interest from lawyers' mixed trust accounts		$ 1,971,235		$ 1,552,385
Interest earned on investments		384,907		398,667
Unclaimed lawyers' mixed trust accounts		-0-		-0-
Miscellaneous		2,456		626
		2,358,598		1,951,678
EXPENDITURES:				
Administrative				
Foundation members				
- per diem	$ 22,878		$ 32,300	
- meetings				
- regular	13,097		8,144	
- special	9,018		4,796	
Office, postage, stationery, telephone	17,857		19,018	
Office of the Secretary	107,548		105,867	
Professional fees	7,229		6,996	
		177,627		177,121
EXCESS OF REVENUE OVER EXPENDITURES BEFORE GRANTS		2,180,971		1,774,557
GRANTS AUTHORIZED (Schedule "1")		(2,330,223)		(1,993,800)
GRANTS RECOVERED		270,128		104,890
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND GRANTS FOR THE YEAR		120,876		(114,353)
TRANSFER FROM STRATEGIC INITIATIVES RESERVE		-0-		100,000
UNALLOCATED SURPLUS, BEGINNING OF YEAR		13,782		28,135
UNALLOCATED SURPLUS, END OF YEAR		$ 134,658		$ 13,782

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE 2011

	2011	2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenditures and grants	$ 120,876	$ (114,353)
Items not involving cash:		
(Gain) loss on investments	(59,545)	(128)
Change in non-cash working capital items:		
Accounts receivable	3,500	(3,500)
Interest receivable from lawyers' mixed trust accounts	(42,961)	(36,927)
Accounts payable	-0-	2,000
Grants payable	(27,915)	(909,333)
	(6,045)	(1,062,241)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of investments	(3,736,341)	(5,916,030)
Proceeds on disposal of investments	4,129,538	7,863,543
	393,197	1,947,513
INCREASE IN CASH	387,152	885,272
CASH POSITION – BEGINNING OF YEAR	66,574	(818,698)
CASH POSITION – END OF YEAR	$ 453,726	$ 66,574
CASH CONSISTS OF:		
Cash	$ 151,463	$ 58,986
Cash held by investment dealer	302,263	7,588
	$ 453,726	$ 66,574

LAW FOUNDATION OF SASKATCHEWAN

NOTES TO THE FINANCIAL STATEMENTS
30TH JUNE 2011

1. NATURE OF THE FOUNDATION

The Law Foundation of Saskatchewan (the "Foundation") is established under the *Legal Profession Act of Saskatchewan*. The purpose of the Foundation is to establish and maintain a fund to be used for the purposes of legal education, legal research, legal aid, law libraries and law reform. The Foundation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates.

Investments

Investments are classified as held for trading and measured at fair value.

Grants

Grants are expensed at the time they are authorized by the Foundation.

Grant Stabilization Reserve

The Foundation has a goal of insulating continuing programs from fluctuation in the Foundation's income that result from changes in the prime rate and the balances in lawyers' mixed trust accounts that generate income to the Foundation. To accomplish this goal the Foundation maintains a reserve that functions as a stabilization fund.

Strategic Initiatives Reserve (formerly Allocated Revenue)

The Foundation periodically makes one time grants for significant access to justice projects. This reserve has been established by the Board to enhance its capacity to meet its statutory objectives when such projects arise.

Interest

Interest income is recorded as earned from lawyers' mixed trust accounts of the members of the Law Society of Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Instruments

The Foundation's financial instruments consist of cash, cash held by investment dealer and investments classified as held for trading; accounts receivable and interest receivable from lawyers' mixed trust accounts classified as loans and receivables; accounts payable and grants payable classified as other liabilities. Unless otherwise indicated, it is management's opinion that the Foundation is not exposed to significant currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise disclosed in these financial statements. The Foundation records transactions based on the trade date.

The Foundation is exposed to interest rate risk arising from fluctuations in interest rates and the degree of volatility in these rates. The Foundation does not use derivative instruments to reduce the exposure to risk.

The Foundation has elected to continue to apply CICA Handbook Section 3861 Financial Instruments - Disclosure and Presentation.

Financial assets and financial liabilities are recorded on the statement of financial position when the Foundation becomes party to the contractual provisions of the financial instrument. Financial instruments are classified according to their characteristics, management objectives or the choice of category in certain circumstances.

All financial assets are classified as held for trading, held to maturity, loans and receivables or available for sale. Held for trading financial assets are carried at fair value with unrealized gains and losses included in revenues. Loans and receivables and other liabilities are recorded at amortized cost using the effective interest method. Financial liabilities are classified as held for trading or other liabilities. Any financial asset or financial liability may be designated as held for trading upon initial recognition.

All financial instruments are required to be measured at fair value upon initial recognition. Measurement in subsequent periods is dependent on the instrument's classification. Transaction costs are capitalized on initial recognition, except for financial instruments designated as held for trading in which the transaction costs are expensed.

3. FUTURE ACCOUNTING CHANGES

The Accounting Standards Board of the CICA has approved a new framework for not-for-profit organizations that is based on existing Canadian generally accepted accounting principles and incorporates the current 4400 series of standards which relate to situations unique to the not-for-profit world. The new standards will be effective for the Foundation's fiscal year ending June 30, 2013. The changes to the standards are not expected to have a significant impact on the Foundation's current accounting policies.

4. INVESTMENTS

	2011			2010		
	Fair value	Cost	Yield	Fair value	Cost	Yield
Provincial bonds						
1-3 years	$ 1,161,865	$ 1,096,243	3.70%	$ 804,912	$ 755,342	3.99%
4-7 years	1,714,685	1,663,449	2.94%	1,438,664	1,403,269	3.17%
Corporate bonds						
1-3 years	1,188,856	1,156,570	4.16%	1,570,742	1,502,823	4.60%
4-7 years	142,455	134,000	3.08%	698,973	692,061	3.37%
Guaranteed investment certificates						
1-3 years	5,370,051	5,250,000	3.07%	5,538,841	5,459,447	2.88%
4-7 years	1,970,562	1,940,000	3.17%	1,830,466	1,785,000	3.56%
Savings accounts	41,900	41,900	2.02%	41,428	41,428	2.02%
	$ 11,590,374	$ 11,282,162		$ 11,924,026	$ 11,639,370	

Fair value includes accrued interest of $240,000 (2010 - $235,800).

The Foundation's investments have maturity dates ranging from July 2011 to December 2016 (2010 – August 2010 to December 2015).

5. RESERVES

During the year $3,100,000 was transferred from the strategic initiatives reserve to the grant stabilization reserve.

6. CAPITAL

The Foundation's capital consists of its grant stabilization reserve, strategic initiatives reserve and unallocated surplus. The Foundation budgets annually for sufficient capital to meet operating requirements. The Foundation is not subject to significant restrictions related to capital, except as otherwise disclosed in these financial statements.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation in the current year.

LAW FOUNDATION OF SASKATCHEWAN

GRANTS AUTHORIZED
FOR THE YEAR ENDED 30th JUNE 2011

SCHEDULE "1"

	2011	2010
Law Society of Saskatchewan Libraries – Annual	$ 685,025	$ 679,300
Public Legal Education Association – Annual	561,042	526,800
Community Legal Assistance Services for Saskatoon Inner City Inc.	450,000	-0-
Pro Bono Law – Saskatchewan – Annual	255,000	220,000
Law Society Bar Course 2011	93,125	-0-
Native Law Centre – Annual	82,000	82,000
Elizabeth Fry Society of Saskatchewan – Annual	71,131	68,714
Law Reform Commission of Saskatchewan – Annual	60,000	50,000
Builders Lien Manual	20,500	-0-
Saskatchewan Elocution and Debate Association – Annual	11,000	10,000
Saskatoon Sexual Assault and Information Centre – Annual	10,400	10,400
Law Society – Annotated Court of Appeal Rules	10,000	-0-
CBA Saskatchewan Branch Law Day 2011 – Annual	6,000	3,375
Salvation Army Positive Lifestyles – Annual	5,000	3,500
Saskatchewan Provincial Judges Association	5,000	-0-
College of Law – Status of Women	5,000	-0-
Aboriginal Family Court Workers	-0-	108,460
Canadian Centre for Professional Legal Education 2010	-0-	101,756
College of Law - Law Foundation of Saskatchewan Endowment Fund	-0-	100,000
Environmental Law Centre	-0-	26,195
Saskatchewan Right to Know Week	-0-	3,300
	$2,330,223	$1,993,800